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Placer Development Limited

FORTY-SIXTH ANNUAL REPORT 1971

Annual General Meeting

The Annual General Meeting of Shareholders of the Company will be held on Wednesday, May 3, 1972 at 12:00 Noon in the Social Suite East of the Hotel Vancouver, Vancouver, British Columbia, Canada.

Placer Development Limited

Index

Cover

Under your Company's overall direction, the development of the property of Gibraltar Mines Ltd. (N.P.L.), near Williams Lake, British Columbia has proceeded on schedule and the mine will commence production of copper concentrate early in the second quarter of 1972. The cover introduces the theme of this Report to Shareholders with a photo of equipment at work in the Gibraltar East Pit.

On December 22, 1971, established as valuation day by the Department of National Revenue, the value of the Company's Common Shares was $25.50.

Worldwide Interests

CANADA

British Columbia

Canex Tungsten Division
Craigmont Mines Limited
Endako Mines Division
Gibraltar Mines Ltd. (N.P.L.)

Quebec

Mattagami Lake Mines Limited (N.P.L.)

U.S.A.

American Exploration & Mining Co.
Cortez Gold Mines

AUSTRALIA

Placer Exploration Limited
Fox Manufacturing
Molybond Laboratories
Plywood Manufacturing
Northern Cattle Co. Pty. Ltd.

NEW GUINEA

South Pacific Timbers
Leron Plains
Commonwealth-New Guinea Timbers Ltd.

PHILIPPINES Marcopper Mining Corporation

PORTUGAL Minas de Terramonte Lda.

MEXICO Placer Mexicana S.A. de C.V.

SPAIN Astur Placer, S.A.

ARGENTINA Desarrollo Minero Argentino S.R.L.

Comparative Highlights

	1971
Operating revenue	$23,112,000
Dividends and interest received	$ 7,223,000
Net earnings	$ 4,032,000
— per share	$ 0.67
Common shares outstanding (net)	5,979,955
Working capital	$16,634,000
Exploration expenses	$ 5,110,000
Capital expenditures (net)	$49,624,000
Investment in shares	$10,409,000
Number of shareholders	5,800
Number of employees	2,581

**Restated for comparative purposes*

Funds made available from:

Increase in long-term debt

Repayment of advance by associated company

Net earnings

Working capital beginning of period

Funds used for:

Additions to fixed assets

Increase in investments

Decrease in minority interest

Increase in preproduction, exploration and development

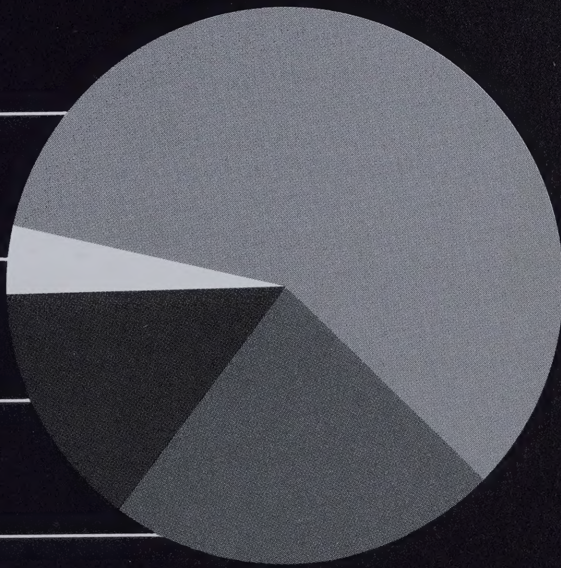
Dividends

Working capital end of period

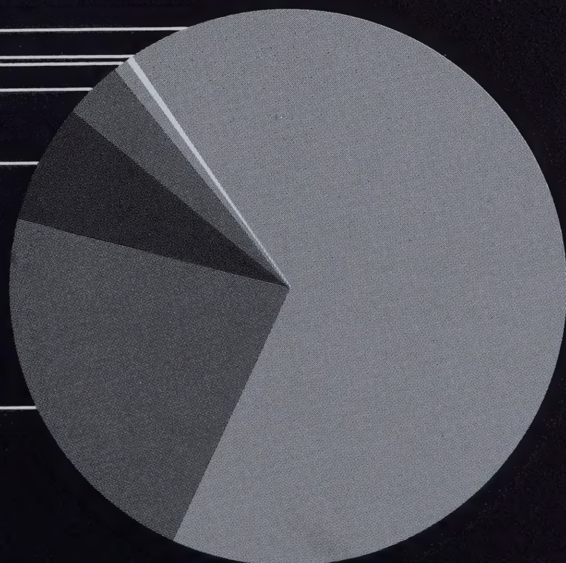
1970*
$34,285,000
$ 9,933,000
$ 7,656,000
$ 1.28
5,979,955
$17,318,000
$ 7,298,000
$11,714,000
$10,445,000
6,500
2,420

Placer Development Limited

58.73%
3.54%
14.48%
23.25%
100.00%



66.63%
0.10%
0.66%
2.93%
7.35%
22.33%
100.00%



Directors' Report to the Shareholders:

The Board of Directors is pleased to present herewith the Forty-Sixth Annual Report of your Company. The year 1971 has been a period of substantial achievement for your Company in spite of reduced profits resulting from declining markets and prices for our mineral products. The most important activity was the construction project of Gibraltar Mines Ltd. (N.P.L.) which is highlighted pictorially in this Report.

Financial

Placer, and the mining industry in general, experienced reductions in price and demand for metals. In 1971 net earnings amounted to $4,031,673 or $0.67 per share compared to $7,656,040 or $1.28 per share in 1970. In the circumstances, your Directors deemed it advisable in August to reduce the quarterly dividend from $0.30 to $0.15 per share.

Soft molybdenum markets were the most important factor in the Company's reduced earnings. Endako sales of molybdenum were 9,126,025 pounds, a reduction of 41% from last year.

Craigmont has reported net earnings of $2,923,603 or $0.58 per share for the year ended October 31, 1971 compared to net earnings of $5,289,317 or $1.04 per share for the same period in 1970. Craigmont paid $1.00 per share in dividends. Placer received a total of $2,264,050 in dividends, equal to $0.38 per Placer share.

Mattagami Lake Mines Limited (N.P.L.) reported net earnings of $5,737,403 or $0.87 per share for the year ended December 31, 1971 compared to net earnings of $7,911,876 or $1.20 per share for the previous year. Mattagami shareholders received $1.20 per share in 1971 and Placer received total dividends of $2,155,291, equivalent to $0.36 per Placer share.

Marcopper Mining Corporation continued through 1971 the excellent performance achieved in its first year. At the beginning of the year only U.S. $20,000,000 out of a bank debt of U.S. $42,000,000 was left outstanding. Marcopper commenced production in 1969 and at December 31, 1971 had retired its bank loans and in addition repaid Placer advances of U.S. $2,300,000.

Marcopper has reported net earnings of 65,800,362 pesos, equivalent to $10,353,706 at the average rate of exchange for the year ended December 31, 1971. Although no dividends have yet been paid, Placer's equity in Marcopper's earnings, converted at the average exchange rate for 1971 and after provision for 35% withholding tax, would be $2,691,963 or $0.45 per Placer share. With all indebtedness retired it is anticipated that Marcopper will implement a dividend policy as soon as possible.

The balance on American Exploration & Mining Co.'s bank loan was also repaid by the end of the year.

The accounts of Gibraltar, in which Placer holds a 71% interest, have been consolidated and the bank loan shows as a liability of your Company in the amount of $49,650,000. Placer, on behalf of Gibraltar, arranged a loan of $74,000,000 from the Canadian Imperial Bank of Commerce and The Bank of Nova Scotia, with Placer guaranteeing the minimum quarterly repayments in the event the cash flow from the mine is not sufficient. Repayment is to be made from 75% of the net cash flow of Gibraltar with minimum quarterly payments of $2,500,000.

Recent changes in the Canadian Income Tax Act seriously affect resource-based industries. Under the new system, incentives to mining companies will be reduced in two significant ways. First, in 1977 the automatic depletion allowance of 33⅓% of production profits will be replaced by a system whereby depletion must be earned at the rate of $1 for each $3 of expenditures incurred essentially on exploration and development. Second, the present three-year tax-free period for new mines is to be withdrawn on December 31, 1973. Gibraltar, which will commence production in 1972, will have a tax-free period of approximately one and one half years.

Although 1971 was a difficult year for the mining industry your Company has successfully weathered that period and, despite reduced earnings, has operated at a profit. Placer remains in a sound financial position to take advantage of opportunities that become available.

Corporate Reorganization

Placer Management Limited which, in recent years, had been Placer's holding company for its foreign interests was wound-up in late 1971 and all interests formerly held by Placer Management Limited, are now owned directly by Placer Development Limited. Simplification of the corporate organization and changes in tax legislation made this consolidation desirable.

On February 1, 1972 the Endako molybdenum mine was transferred to Canadian Exploration Limited, a wholly-owned subsidiary of Placer.

This change will eliminate another unnecessary corporate entity and permit the utilization of approximately $13,000,000 of accumulated exploration expenses to reduce taxable income in future years.

Marketing

Consumption of those metals which are of primary interest to Placer was below normal in 1971. Copper prices remained in a low range except for a brief recovery in March and April. Production cutbacks were made by many primary producers of molybdenum, including Endako, while others ceased production.

In October, 1971 Nippon Mining Company Limited gave notice that anti-pollution restrictions forced it to limit purchases of copper concentrates from Marcopper and Craigmont. The reduction is 20% for the initial period ending April 30, 1972. Alternate sales have been arranged, where necessary, for most of the affected concentrate from those copper producers associated with Placer.

Gibraltar Construction

Development of Gibraltar's open pit copper mine and construction of the mill has progressed without interruption since work began on the site in October, 1970. Initial production of concentrate will begin early in the second quarter of 1972.

With commencement of mining operations in the open pit Placer fulfilled its contractual commitments, thereby earning additional shares in Gibraltar, and now holds 8,126,875 or 71% of the issued shares.

During the year Gibraltar acquired the remaining 2% of the mineral rights formerly owned by Duval Corporation of Vancouver and now holds 100% of the Gibraltar and Pollyanna claims.

Environment

The reseeding programmes commenced in 1969 at Canex, Craigmont and Endako were continued through 1971 and similar work was initiated at Gibraltar on areas which will not be used directly in mining activities. Reclamation permits have been issued for each of these mines and other government permits are expected to be received without difficulty.

Management Changes

Your Company lost the valuable services of Mr. J. C. Tarbuck, Treasurer, who had been with Placer for 25 years at the time of his sudden death in April, 1971.

Mr. R. A. Watts was appointed Treasurer and Mr. J. Racich, Comptroller.

Changes in Directors

Mr. R. G. Rogers has, for personal reasons, declined to stand for re-election. Mr. Rogers has served as a Director since 1967 and his judgement and knowledge of Canadian industry will be missed by the Board.

During the year Mr. A. E. Gazzard relinquished his position as Senior Vice-President of the Company, but agreed to remain as a Director. In addition, Mr. J. D. Little, Executive Vice-President, was elected a Director.

We would like to express our appreciation to all employees for their efforts and co-operation during the past year of difficult conditions for your Company and for the mining industry.

On Behalf of the Board of Directors

Chairman

President

Vancouver, B.C.,
March 30, 1972

Metals and Markets

GENERAL

The demand for most metals declined in 1971 owing to recession or slow growth in metal consuming industries. Some recovery in economic activity is expected during 1972 and consumption of the minerals produced by Placer group companies should be higher than in 1971.

MOLYBDENUM

The demand for molybdenum depends largely upon the demand for special alloy steels. This has been depressed, with the steel industries in most industrialized countries operating at only 50% to 60% of capacity during the second half of the year. Substantial new production, much of which was by-product quality, was available at discount prices. As a result, major sellers, including Endako, are reducing their output and several high cost mines have already ceased production.

Some slight improvement in industrial capital expenditures is expected in 1972 and should favourably influence demand for molybdenum.

COPPER

The average annual increase in Western Bloc copper consumption is approximately 4%. In 1971, however, there was no increase in consumption from the previous year. Despite the strike which closed most of the United States copper industry for the months of July and August, sufficient metal was available throughout the year to meet all demands. The international price, as expressed by the London Metal Exchange, varied between U.S. $0.44 and U.S. $0.59 per pound and for most of the year was between U.S. $0.47 and U.S. $0.50 per pound.

Barring severe interruptions in supply, enough copper should continue to be available to meet demand through 1972 but some gradual price strengthening may develop.

Owing to pollution restrictions in Japan, Nippon Mining Company Limited, which had contracted to buy all the copper concentrate from the Craigmont, Marcopper and Gibraltar mines, was forced to reduce its purchases of copper concentrate from all shippers. Alternate sales have been arranged for most of the production which is expected to be affected, although realizations will not be as favourable.

TUNGSTEN

Under normal demand conditions, there is a shortage of tungsten. During 1971, however, consumption was so low that excess tungsten was available for much of the year and the price for tungstic oxide in clean wolframite declined from U.S. $64.50 per short ton unit at the beginning of the year to U.S. $39.00 per short ton unit at the end. When consumption returns to normal the price is expected to improve. All of the tungsten produced as scheelite at the Canex mine was delivered throughout the year at the prevailing market prices for scheelite which normally sells at a discount from the wolframite price.

ZINC

Consumption in non-communist countries increased slightly over 1970. Production was not excessive and the market remained fairly firm permitting the price to increase from U.S. $0.15 to U.S. $0.17 per pound in the United States and from U.S. $0.139 to U.S. $0.175 per pound in Europe.

Operations

CANADA

Endako Mines Division – (100% interest)

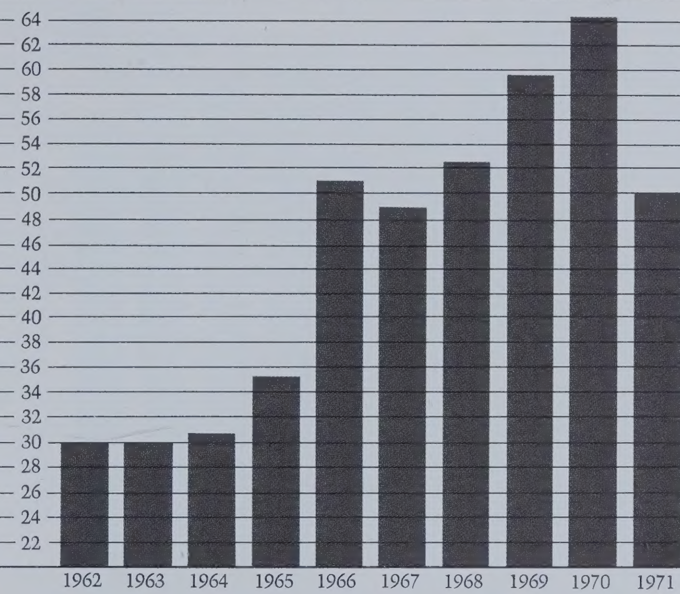
During 1971, Endako treated 9,051,000 tons of ore at an average grade of 0.162% MoS_2 to produce a total of 14,387,736 pounds of contained molybdenum consisting of 5,163,787 pounds in molybdenite concentrate and 9,223,949 pounds in molybdic oxide.

On December 31, 1971, unsold inventories in terms of contained molybdenum were 10,038,435 pounds. Production of molybdenum was reduced to 75% of the previous year's level in August, 1971 and to 50% in March, 1972 with the intent of reducing the large inventory which had accumulated and of maximizing Placer's cash position.

Mill throughput averaged 26,956 tons per day from January through July and 22,941 tons per day during the last five months of 1971. The mill operated 95.7% of available time with a metallurgical recovery of 81.60%. The roaster operated at maximum capacity of 9,500,000 pounds during the year.

The total tonnage mined was higher than that for any previous year and productivity improved with the new, larger mobile equipment. Most of the ore came from a relatively low-grade zone in the south side of the pit which had an adverse effect on mill

Yearly Average Copper Prices Per Lb.
(L.M.E. Cash Settlement Wirebars—U.S.c)



recovery and unit costs per pound of molybdenum produced. The situation is expected to improve in the last half of 1972.

Mineable ore reserves as of December 31, 1971 were as follows:

	Tons	MoS_2
Endako Pit (0.08% cutoff)		
— proven and probable	194,900,000	0.143%
— possible	23,000,000	—
Denak Pit		
(0.10% cutoff)	5,400,000	0.232%

A computer terminal was installed to facilitate the handling of engineering and commercial programmes.

A new three-year collective agreement with the United Steelworkers of America became effective October 1, 1971.

Canex Tungsten Division – (100% interest)

During 1971 the mill treated 172,512 tons of ore averaging 0.61% WO_3 to produce 86,010 short ton units of contained WO_3 in the concentrate. Recovery averaged 81.6% with approximately one quarter of production recovered as a high-grade table concentrate.

The average price received during the year was $42.25 per short ton unit of WO_3, f.o.b. Vancouver. Inventory at year-end was 22,920 units.

Some difficulties were encountered in producing a uniform grade of concentrate. By year-end, however, a consistently acceptable grade was being produced and off-grade concentrate was being re-treated and blended to improve marketability.

Reserves of broken and unbroken ore were 308,000 tons at a grade of 0.67% WO_3.

A collective agreement with the United Steelworkers of America was ratified during the year and will extend over a three-year period.

Gibraltar Mines Ltd. (N.P.L.) – (71.22% interest)

Placer's interest in Gibraltar increased in 1971 from 5,409,859 shares to 8,126,875 shares, or 71.22% of the total 11,411,469 issued shares. These additional shares were allotted under the terms of a contract with Gibraltar whereby Placer would receive 2,717,016 shares on preparation of the claims for commencement of mining operations.

Construction progress remained on schedule throughout the year. Clearing of the mill and mine sites was completed by April, 1971 when construction activities and stripping on the Gibraltar East pit were commenced. At December 31, 1971 a number of buildings were complete, and installation of major items of equipment proceeding in the remainder. Major utilities were installed and in use. By year-end, the project was 75% completed and startup is now estimated to be early in the second quarter. Production from the pit

at year-end was 66,000 tons of ore and waste rock per day. Rated capacity of the concentrator is 30,000 tons per day.

Estimated ore reserves remain unchanged from the previous year at 358,000,000 tons with an average grade of 0.373% copper and 0.016% molybdenum disulphide at a cutoff grade of 0.25% copper. Production during the early years will be from a zone containing approximately 55,000,000 tons of ore, grading 0.436% copper, at a strip ratio of approximately 1.45:1. The long-term strip ratio for all ore bodies is 2.15:1.

The United Steelworkers of America were certified as bargaining agents for hourly-rated employees and a three-year collective agreement, extending to July 1, 1974, was established.

Craigmont Mines Limited – (44.59% interest)

During the fiscal year ended October 31, 1971 Craigmont reported net earnings of $2,923,603, equivalent to $0.58 per share after provision of $1,995,117 for depreciation and depletion and $2,249,126 for income and mining taxes. This compares with net earnings of $5,289,317 or $1.04 per share in the previous year. Declining copper prices and lower exchange premiums on sales in U.S. dollars were major factors in the reduced earnings.

During its fiscal year Craigmont treated 1,827,864 tons of ore containing 1.15% copper to produce 39,322,774 pounds of copper in concentrate and 29,025 tons of magnetite concentrate. This compared favourably with 33,448,400 pounds of copper and 17,331 tons of magnetite in 1970. The improvement was the result of higher production from the mine and slightly higher copper content in the underground ore.

Capital expenditures of $1,115,017 included major mine improvements and development.

The price received for copper in 1971 was U.S. $0.50 per pound before smelter deductions.

Geological ore reserves at October 31, 1971, were 14,154,000 tons with an average grade of 1.87% copper. The sub-level caving method continues to be utilized for underground ore extraction. Development is being carried out in advance of production with no difficulties anticipated in maintaining the present production rate.

A programme of underground exploration of adjacent areas is being continued. Off-property exploration in the Kamloops-Merritt area will be facilitated during the coming year by an exploration office located at Kamloops.

The collective agreement with the United Steelworkers of America will expire in September of 1972.

Mattagami Lake Mines Limited (N.P.L.) – (27.17% interest)

Mattagami Lake Mines Limited (N.P.L.) reported net earnings of $5,737,403 or $0.87 per share for the year ended December 31, 1971, compared with $7,912,000 or $1.20 per share for the previous year.

The mine treated 1,386,160 tons of ore grading 9.3% zinc and 0.62% copper to produce 221,660 tons of zinc concentrate and 32,057 tons of copper concentrate. At the year-end, ore reserves were 15,893,000 tons averaging 8.8% zinc and 0.66% copper.

The Canadian Electrolytic Zinc plant at Valleyfield, Quebec, operated below capacity throughout the year due to market conditions. Production at the plant was 119,600 tons of slab zinc and 383,000 pounds of cadmium. The year-end inventory was 11,956 tons of zinc.

Mattabi Mines Limited, at Sturgeon Lake, Ontario, owned 60% by Mattagami, continued its $40,000,000 construction programme during the year. The concentrator is expected to commence production at a rate of 3,000 tons per day in June, 1972. Reserves are estimated at 12,866,000 tons grading 0.007 ounces of gold, 3.13 ounces of silver, 7.60% zinc, 0.91% copper and 0.84% lead.

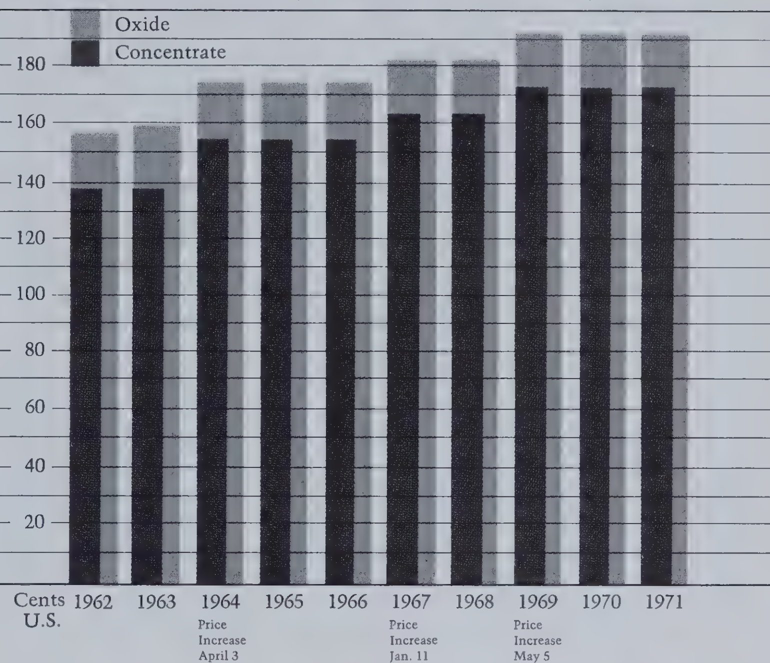
On a separate group of claims known as Group 23, owned 100% by Mattagami, and located just to the east of the Mattabi mine, exploration and diamond drilling have revealed a significant mineralized zone. This exploration programme is continuing and to date, approximately 1,000,000 tons of ore grading 8% zinc and 1.0% copper have been outlined.

UNITED STATES

Cortez Gold Mines – (28.33% interest)

Cortez Gold Mines reported an operating profit of U.S. $1,835,687 before provision of U.S. $2,340,255 for depreciation and depletion, resulting in a net loss of U.S. $504,568. This compares with net earnings of U.S. $2,871,000 in 1970. The decrease in earnings, which was forecast in last year's Report, was a result of a lower grade of ore mined at higher stripping ratios. Both the ore grade and stripping ratio are expected to return to normal in 1972.

Yearly Average Molybdenum Price Per Lb. *(Published Major Primary Producer Price—f.o.b. mine or f.o.b. roaster)*



Mill throughput increased to 2,132 tons per calendar day from 2,000 tons in the previous year. The cyanide plant treated 778,018 tons of ore containing 0.176 ounces of gold per ton to produce 120,033 ounces of gold at a recovery of 87.39%. An additional 218 ounces of gold were recovered from leaching operations commenced in December, 1971.

Proven ore reserves at December 31, 1971 were 887,000 tons averaging 0.227 ounces of gold per ton. An exploration programme was carried out, but did not increase the reserves appreciably.

Bullion settlements continue to be based on the Engelhard Industries' buying price. During the year the average settlement received was $41.15 per ounce. It is anticipated that this price will increase during 1972.

PHILIPPINES

Marcopper Mining Corporation – (40% interest)

Marcopper Mining Corporation reported net earnings for 1971 at the equivalent of $10,353,706 after provision of $3,767,168 for depreciation and amortization, $9,243,790 for extraordinary loss on foreign exchange and $2,242,433 for income tax.

Marcopper retired the balance of its outstanding indebtedness to the consortium of U.S. banks, Nippon Mining Company Limited and Placer on December 30, 1971.

The mine continued to operate satisfactorily with 6,693,074 tons of ore containing 0.79% copper processed to produce 88,821,079 pounds of copper in concentrates at an overall recovery of 83.85%. The cement copper plant produced an additional 7,702,567 pounds of copper to bring total production to 96,523,646 pounds of copper compared to 75,579,975 pounds produced in 1970. In addition, 51,170 ounces of gold and 212,658 ounces of silver were produced.

Mill throughput averaged 18,337 tons per calendar day, an increase of 21% over the 1970 average of 15,092 tons per day. The improved mill capacity was a result of blending various types of ore to supply a consistent mill feed.

Mineable ore reserves as of December 31, 1971, using a cutoff grade of 0.4% copper are as follows:

	Tons	Cu
Sulphide ore	101,500,000	0.64%
Oxide ore	6,000,000	0.53%

In addition, there are 8,600,000 tons of oxide ore in stockpiles from which 11,258,000 pounds of copper have been recovered by dump leaching.

Capital expenditures in 1971 amounted to $2,057,661. This included reconstruction of tailing dams to ensure improved safety and stability as well as new equipment, expansion of the cement copper plant, installation of a standby tailing line

and additional concentrate storage facilities. Plans for 1972 include additional equipment for production and on-property exploration. A project is underway to divert a nearby river and increase waste disposal areas for future mine development.

AUSTRALIAN OPERATIONS – (50% interest)

The Company's operations in Australia are carried out by Placer Exploration Limited, which is owned equally by Placer Development Limited and Kaiser Aluminum & Chemical Corporation.

Fox Manufacturing Company

Supplying a wide range of equipment to the mining industry, this company manufactures conveyor systems, drilling and mobile equipment, exhaust fans and other mining equipment. The company's sales during 1971 totalled \$10,652,450 compared to \$7,333,520 in 1970.

Plywood Manufacturing

Sales for the year totalled \$4,621,850 compared to \$3,815,240 in 1970. Completion of the programme for the installation of new equipment at the North Queensland veneer and sawmills has resulted in an integrated plywood operation and will further improve the division's competitive position in 1972.

Molybond Laboratories

Molybond Laboratories manufactures specialty lubricants with a molybdenite base. Sales for the year totalled \$611,800, slightly lower than the 1970 total of \$625,240.

Northern Cattle Co. Pty. Ltd. – (25% interest)

Good operating conditions were experienced during the year by the Northern Cattle Co. Pty. Ltd., which is 50% owned by Placer Exploration Limited. At year-end, stock totalled 68,088 head, compared with 58,020 at the end of 1970. Sales for the year amounted to \$833,750 compared to \$534,760 in 1970. There is a continuing buoyant demand for beef in the United States and a steady expansion of the Japanese market.

Near the close of 1971 Northern Cattle acquired a freehold property of 82,000 acres approximately 80 miles north of Perth, Western Australia.

NEW GUINEA OPERATIONS

South Pacific Timbers – (100% interest)

Total sales for the division amounted to \$1,439,800 as compared to \$1,509,160 in 1970. Although logging production increased over the previous year, there was a scarcity of logs suitable for veneer and production for 1971 was 52,000,000 square feet, down from 59,000,000 square feet (on a 1/16″ basis) in the previous year.

The bulk of the company's veneer is sold to Commonwealth-New Guinea Timbers Limited with the remainder going to the plywood manufacturing division at Smithfield, New South Wales. The company's timber production is largely sold in local markets.

Leron Plains – (100% interest)

The herd increased from 7,119 at the end of 1970, to 7,593 at the end of 1971. Sales for the same period amounted to \$193,200 with most of the beef being used to supply the company's own townsite at Bulolo and the balance being marketed in Port Moresby.

Commonwealth-New Guinea Timbers Limited – (49.9% interest)

A planned increase in output was achieved and in 1971 plywood production of 41,650,000 square feet with sales of 40,750,000 square feet (on a 3/16″ basis) were both higher than in any previous year. Placer received dividends of \$474,374 or \$0.08 per Placer share in 1971 compared to \$478,499 in 1970.

PORTUGAL

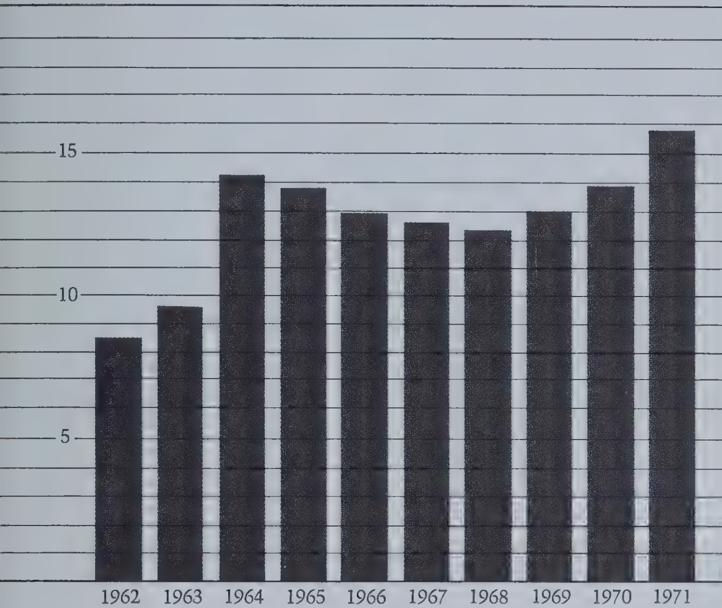
Minas de Terramonte Lda. – (25% interest)

No repayment on advances and loan interest was received by Placer during 1971 due to low metal prices and higher operating costs which have put operations on a break-even basis.

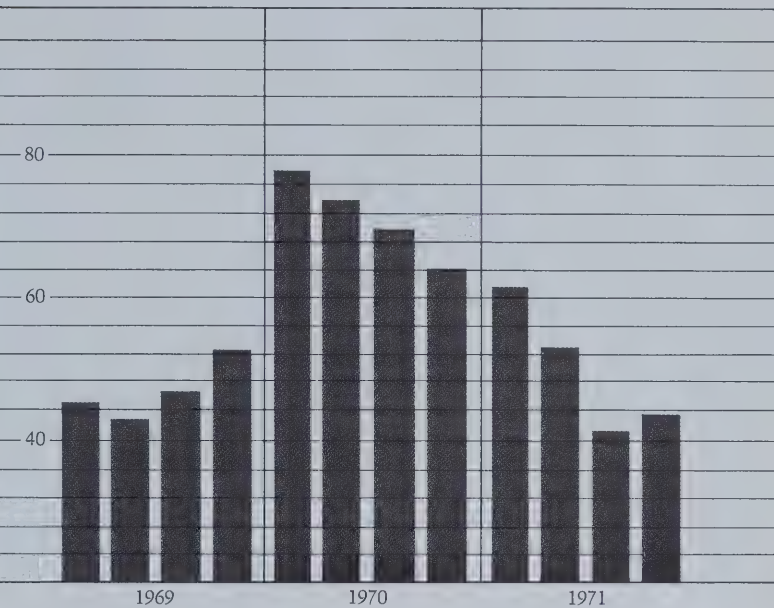
The concentrator treated 88,783 metric tons grading 1.66% lead, 2.26% zinc and 3.24 troy ounces of silver per metric ton. Concentrate production amounted to 2,155 metric tons of lead concentrate and 3,550 metric tons of zinc concentrate. All concentrate was sold on the European market.

Ore reserves at September 30, 1971 were reported to be 130,000 metric tons with average grades of 1.7% lead, 2.3% zinc and 3.3 troy ounces of silver per metric ton.

Yearly Average Zinc Prices Per Lb.
(G.O.B. Producer's Price—U.S.c)



Quarterly Average Tungsten Price *(Wolfram Ore)*
(U.S. Dollars Per Short Ton Unit. London Metal Bulletin Quotation)



Exploration

Exploration expenses in 1971 amounted to $5,110,000, a reduction of 30% from those of 1970. The bulk of the expenditures was concentrated in Canada, Australia and the United States. Emphasis was placed on selected, high-quality prospects, particularly copper.

HARD MINERALS

In Western Canada, the programme was directed toward the search for porphyry copper deposits. The Company-owned helicopter was used extensively in conjunction with regional programmes of geochemical reconnaissance.

In Eastern Canada, exploration directed from the Toronto office was focused primarily on the search for massive copper/zinc and copper/nickel deposits in areas which have produced several prospects.

Exploration activities of Placer Exploration Limited (50% owned) were concentrated in Queensland and Western Australia. Exploration continued at the Lady Annie project in Queensland with no significant additions to copper reserves which are estimated at 6,600,000 tons of proven and probable ore grading 1.44% copper. On the adjacent lead/zinc/silver deposit, further exploratory drilling was carried out and indicates ore reserves in the range of 3,000,000 tons. Because of structural complications further exploration will be carried out to obtain meaningful ore reserve and grade calculations. Mineral dressing tests to date have not given completely satisfactory recoveries and are being continued. Still unresolved is the legal dispute regarding the ownership of leases immediately east of the lead/zinc zone.

Active exploration programmes were carried out through subsidiary or associated companies in the United States, Mexico, Argentina and Spain.

Marcopper Mining Corporation carried out an exploration programme in the Philippines, predominantly for copper and lateritic nickel.

OIL AND GAS

Oil and gas exploration in Canada was oriented towards acquisition of petroleum and natural gas rights, mainly in northeastern British Columbia. Placer participated in the drilling of five exploratory wells, three of which were relatively shallow tests. Although these holes were abandoned, a substantial acreage position was earned through farm-out agreements. A modest seismic programme in the Amber River area of Alberta was conducted to outline possible drilling locations for 1972.

In the Italian Adriatic, geological and geophysical studies of two offshore permits in which Placer holds a 50% interest have determined that both permits contain structures which warrant drilling. Plans to drill will be dependent on the availability of a suitable offshore drilling rig.

Gibraltar

Recent photographs of the newest operation in the Placer Group of Companies

Start of open pit operations.

Stacking conveyor to coarse
ore stockpile.

Surveyors in the
Gibraltar East Pit.

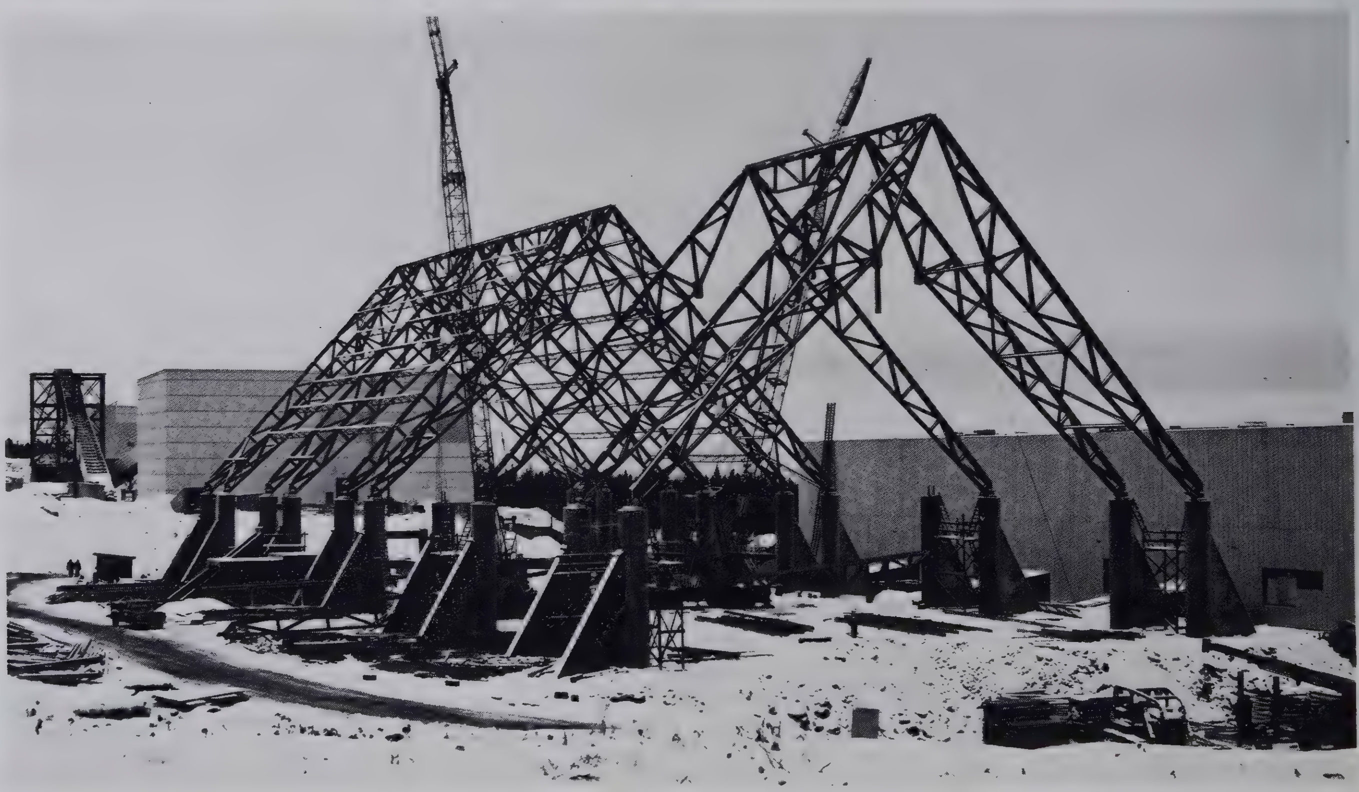
Cladding is applied to the concentrate dryer building.

Mechanic works on one of the 100-ton ore trucks.

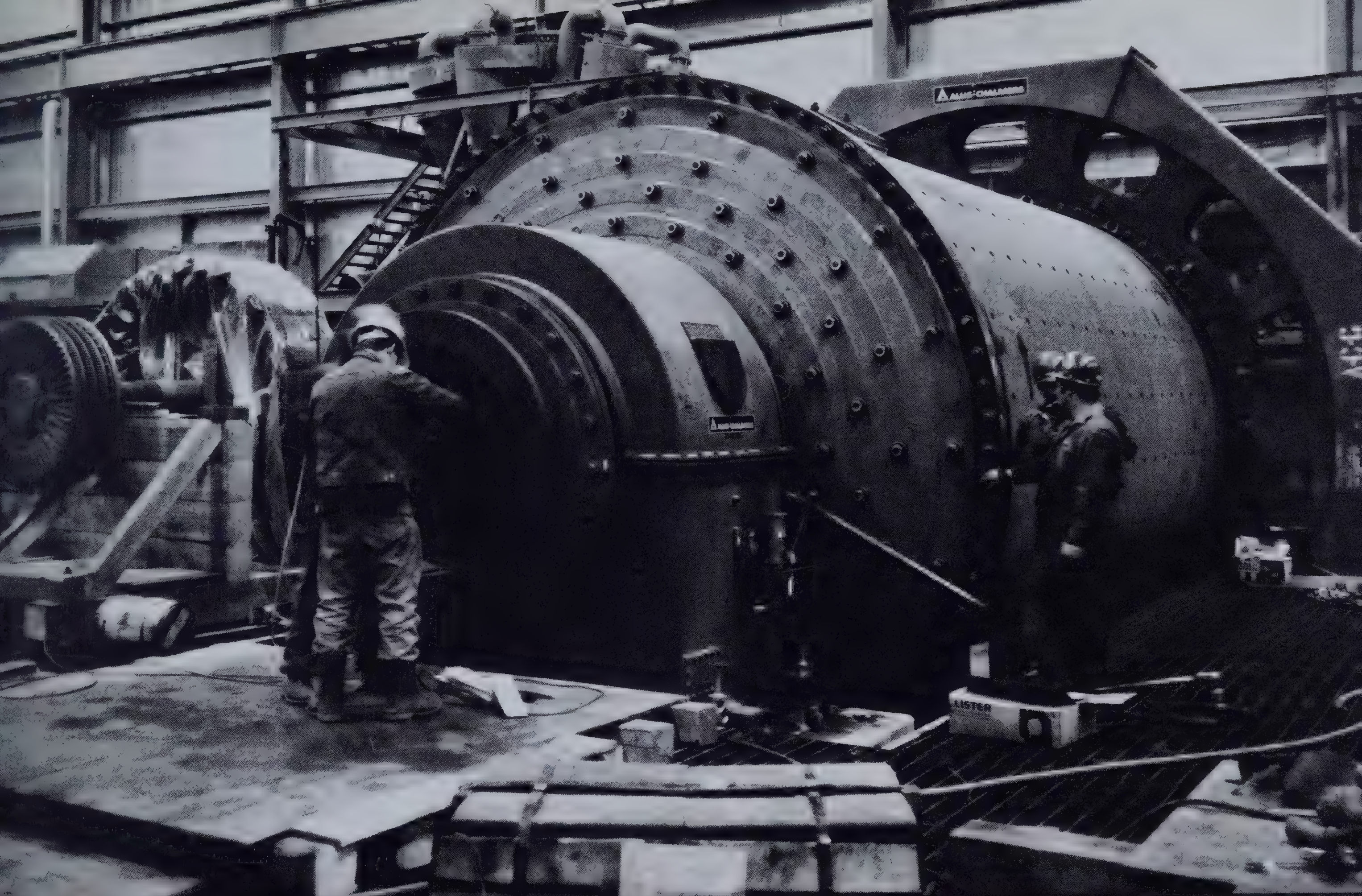
Main office at the Gibraltar mine site.

Drills at work in the Gibraltar East Pit. The plant is visible in background.

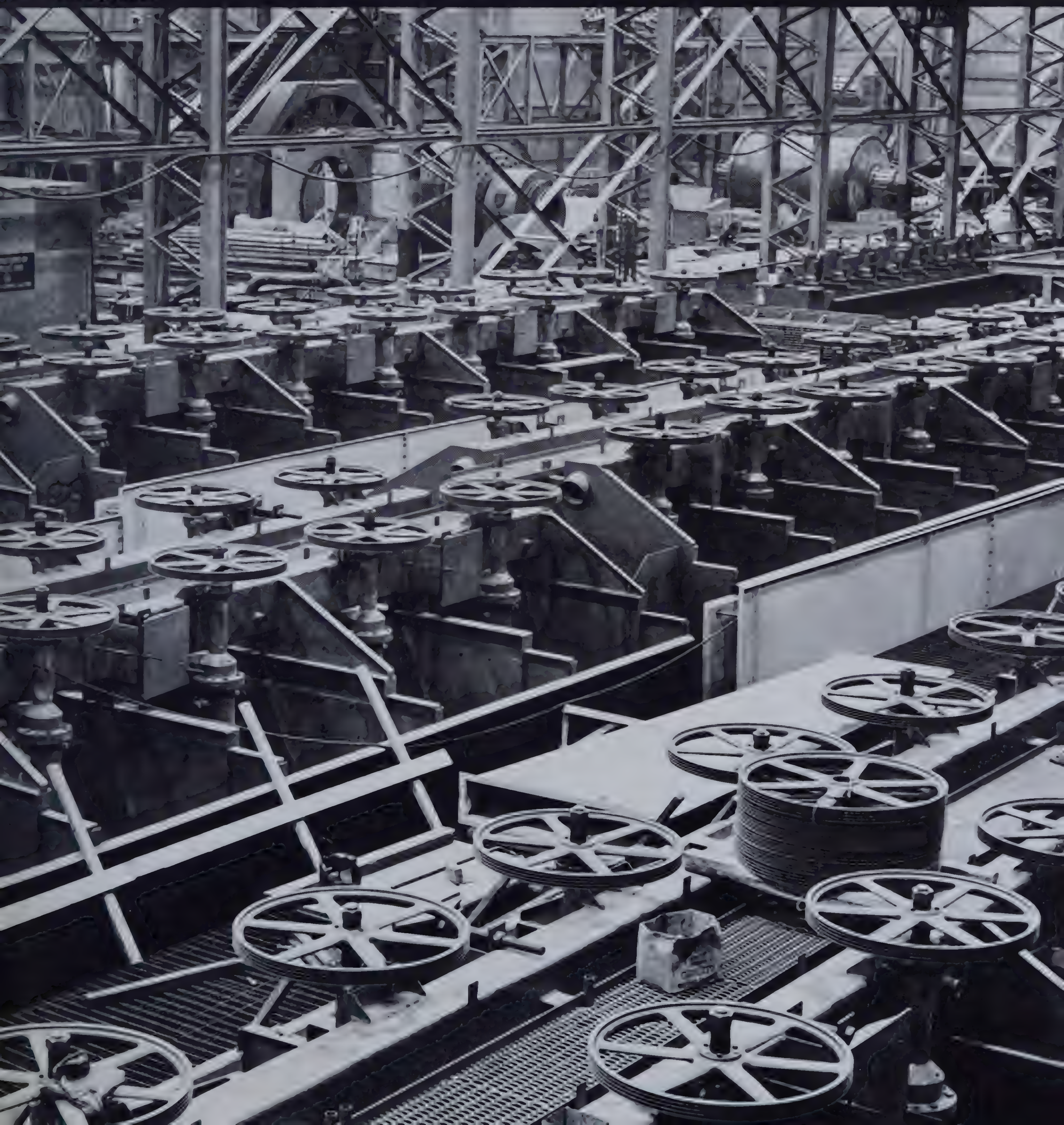
Haul truck backs into position to receive a load of copper ore.



Fine ore storage cover under construction.



Construction tradesmen
work on grinding
mill installation.



View over rows of flotation cells in concentrator shows grinding mills in background.

Auditors' Report

To the Shareholders,
Placer Development Limited:

We have examined the consolidated balance sheet of Placer Development Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of earnings and retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in the valuation of inventories, with which we concur, as explained in Note 2 to the financial statements.

Price Waterhouse & Co.,
Chartered Accountants.

Vancouver 5, B.C.
February 25, 1972.

Consolidated Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1971

	1971	1970*
	(in thousands)	
Revenue:		
Sales (Note 2)	$23,112	$34,285
Income from investments (Note 4)	4,749	6,849
Interest earned and other income	2,474	3,084
	30,335	44,218
Expense:		
Cost of sales (Note 6)	15,315	18,136
Selling, general and administrative expenses	2,346	2,975
Exploration (Note 7)	5,110	7,298
Amortization of preproduction and development expense (Note 7)	578	—
Interest on long-term debt	104	199
Loss on foreign exchange	—	865
	23,453	29,473
Earnings before income taxes	6,882	14,745
Income taxes (Note 8):		
Current	1,399	5,273
Deferred	1,451	1,816
	2,850	7,089
Net earnings for the year — $0.67 per share (1970—$1.28)	4,032	7,656
Retained earnings at beginning of year, as restated (Note 2)	63,640	64,073
	67,672	71,729
Deduct		
Dividends paid— $0.91 per share (1970—$1.35)	5,470	8,089
Retained earnings at end of year	$62,202	$63,640

**Restated for comparative purposes.*

Consolidated Balance Sheet
December 31, 1971

Assets	1971	1970*
	(in thousands)	
Current Assets:		
Cash, including time deposits	$ 4,641	$ 6,640
Marketable securities, at cost (which approximates market value)	5,345	2,092
Accounts receivable	6,687	5,843
Inventories (Note 2)	14,287	7,397
Prepaid expenses	228	160
	31,188	22,132
Amount Receivable from Sale of Option Rights — (U.S. $9,000,000) (Note 3)	9,655	9,655
Less — Deferred credit arising therefrom	9,655	9,655
	—	—
Investments and Other Assets:		
Investment in shares, at cost (Note 4)	10,409	10,445
Other investments, at equity in underlying net assets (Note 5)	7,112	8,536
Advances to associated companies, at cost plus accrued interest	187	2,875
Mortgages receivable	626	606
Recoverable deposits	809	115
	19,143	22,577
Fixed Assets, At Cost (Note 6):		
Plant, buildings and equipment	54,031	54,376
Less — Accumulated depreciation	27,390	25,120
	26,641	29,256
Construction in progress (Note 9)	48,725	1,692
Mining and other properties less accumulated depletion of $2,508,000 (1970—$2,290,000)	9,903	8,547
	85,269	39,495
Deferred Charge:		
Preproduction, exploration and development expenses (Note 7)	7,671	6,067
	$143,271	$90,271

**Restated for comparative purposes.*

Placer Development Limited

Liabilities and Shareholders' Equity

	1971	1970*
	(in thousands)	
Current Liabilities:		
Accounts payable and accrued liabilities	$ 6,937	$ 3,271
Construction holdbacks	1,171	—
Income taxes payable (Note 8)	1,256	937
Long-term debt due within one year	5,190	606
	14,554	4,814
Long-Term Debt (Note 9)	45,033	1,293
Deferred Income Taxes (Note 8)	4,004	2,553
Minority Interest in Subsidiaries	1,802	2,295
Shareholders' Equity:		
Share capital (Note 10)—		
Authorized:		
10,000,000 common shares without nominal or par value		
92,000 exchangeable common shares without nominal or par value		
Issued:		
5,986,094 common shares (no change during the year) less 6,139 common shares held by subsidiary company	6,903	6,903
Contributed surplus	8,773	8,773
Retained earnings	62,202	63,640
	77,878	79,316
	$143,271	$90,271

Approved on behalf of the Board:
J. D. Simpson, *Director*
T. H. McClelland, *Director*

Consolidated Statement of Source and Application of Working Capital

For the Year Ended December 31, 1971

	1971	1970*
	(in thousands)	
Source:		
Net earnings for the year	$ 4,032	$ 7,656
Add—		
Depreciation, amortization, depletion, deferred income taxes and other changes (net) to operations not involving an outlay of working capital	6,756	6,733
Total from operations	10,788	14,389
Repayment of advance by associated company	2,635	—
Long-term debt	43,740	(1,111)
Adjustment to share capital and contributed surplus	—	1,633
	57,163	14,911
Application:		
Dividends	5,470	8,089
Additions to fixed assets—net	49,624	11,714
Investments and other assets	78	1,289
Preproduction, exploration and development expenses	2,182	2,392
Decrease in minority interest in subsidiaries	493	(1,927)
	57,847	21,557
Decrease in working capital	684	6,646
Working capital at beginning of year	17,318	23,964
Working capital at end of year	$16,634	$17,318

Analysis of Changes in Working Capital

	1971	1970*
Increase (decrease) in current assets:		
Cash	$ (1,999)	$ (6,854)
Marketable securities	3,253	(826)
Accounts receivable	844	(3,984)
Inventories	6,890	2,575
Prepaid expenses	68	18
	9,056	(9,071)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	3,666	123
Construction holdbacks	1,171	—
Income taxes payable	319	(2,510)
Long-term debt due within one year	4,584	(38)
	9,740	(2,425)
Decrease in working capital	$ 684	$ 6,646

**Restated for comparative purposes.*

Notes to Consolidated Financial Statements

December 31, 1971

Note 1 *Basis and principles of consolidation:*

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries.

For purposes of inclusion in the financial statements, accounts prepared in foreign currencies have been restated in Canadian dollars. Current assets and current liabilities have been translated at year-end rates, other assets (and related depreciation and depletion) and liabilities substantially at the rates in effect on the dates of the relevant transactions. Amounts (other than depreciation and depletion) appearing in the consolidated statement of earnings are at average rates of exchange for the year.

Note 2 *Inventories:*

In prior years the portion of concentrate inventories covered by firm sales contracts was valued at net realizable value. Commencing in 1971 all concentrate inventories have been valued at the lower of cost or net realizable value and to reflect this change in accounting policy the opening balance in retained earnings at January 1, 1970, previously reported as $64,694,000 has been adjusted by a retroactive charge of $621,000. The change in inventory valuation which has been reflected in the accompanying statement of earnings and retained earnings increased net earnings for 1971 by $166,000 and 1970 by $455,000.

Inventories as at December 31, 1971 and 1970 comprise the following:

	1971	*1970†*
	(in thousands)	
Lower of cost or net realizable value:		
— Concentrates	$10,771	$4,176
— Manufactured products	332	257
	11,103	4,433
Lower of cost or replacement cost:		
— Materials and supplies	2,533	2,485
Net realizable value:		
— Livestock	651	479
	$14,287	$7,397

†Restated for comparative purposes

Note 3 *Amount receivable from sale of option rights:*

This amount arose from the sale of option rights in a prior year and is to be paid to the Company in amounts equal to 90% of dividends received by the purchasers on the shares acquired. The deferred credit arising from the sale of the option rights will be taken into income in future years as the cash is received from the purchasers.

Note 4 *Investment in shares:*

Investment in shares at December 31, 1971 comprises the following:

	Cost	*Quoted market value*
With quoted market value:	*(in thousands)*	
*Craigmont Mines Limited 2,264,050 common shares of 50c each	$ 1,414	$16,980
*Mattagami Lake Mines Limited (N.P.L.) — 1,796,076 shares of $1 each	5,634	48,045
Other	98	34
	$ 7,146	$65,059
Without quoted market value:		
*Marcopper Mining Corporation — 45,257,139 shares of 1 Philippine peso each	$ 1,008	
*Commonwealth-New Guinea Timbers Limited — 749,999 shares of A $2 each	1,680	
Other	575	
	3,263	
	$10,409	

The following dividends were received during the year by Placer from its investments:

Mattagami Lake Mines Limited (N.P.L.)	$2,155
Craigmont Mines Limited	2,264
Commonwealth-New Guinea Timbers Limited	474
	$4,893

**To comply with changes in reporting standards of regulatory bodies, the investment in and income from these companies will be reported on an equity basis, commencing on January 1, 1972.*

Note 5 *Other investments:*

Other investments (joint ventures) recorded at equity in underlying net assets represent:

	(in thousands)
Placer Exploration Limited — 50% owned	$5,381
Cortez Gold Mines — 28.33% owned	1,731
	$7,112

Placer's share of losses in these investments comprises:

Placer Exploration Limited — charged to exploration expense	$ 733
Cortez Gold Mines — charged to income from investments	144
	$ 877

Note 6 *Fixed assets:*

The total cost and accumulated depreciation and depletion of fixed assets at December 31, 1971 are as follows:

	Cost	*Accumulated depreciation and depletion*
	(in thousands)	
Plant, buildings and equipment —		
Buildings and machinery	$ 43,790	$21,873
Mobile equipment	7,943	4,415
Projects in progress	105	48
Shipping vessels	483	132
Roads	1,065	646
Leasehold improvements	645	276
	54,031	27,390
Construction in progress	48,725	—
Mining and other properties	12,411	2,508
	$115,167	$29,898

Total depreciation and depletion expense for the 1971 year of $3,627,000 and $218,000 respectively are included in cost of sales in the statement of earnings. Corresponding amounts for the 1970 year are $3,766,000 and $209,000.

Based on studies carried out in 1971 refinements have been made in the depreciation rate for buildings and machinery at the Endako Mine, to reflect the extended useful lives of such assets as a result of changes in cutoff grade and ore reserves over the last several years.

Note 7 *Deferred charges:*

The Company presently follows the practice in its consolidated financial statements of charging current exploration expenditures against earnings for the year, except where the expenditures relate to an indicated presence of economically recoverable reserves.

Included in the preproduction, exploration and development expenditures deferred at December 31, 1971 is $5,750,000 which relates to properties presently being equipped, or which have been equipped for production, and is written off against earnings on an ore extraction basis commencing on the dates of production of the relative properties.

Note 8 *Income taxes:*

It is the Company's practice to record income taxes on the tax allocation basis recommended by The Canadian Institute of Chartered Accountants. Accordingly deferred income taxes of $4,004,000 have been recorded at December 31, 1971.

Additionally, certain of the Company's subsidiaries have exploration expenses and other allowances of approximately $13,000,000 that are available to reduce taxable income in future years. Of this amount, approximately $9,000,000 have been written off against earnings in the current and prior years and the related deferred tax effects have not been recorded as a reduction of deferred income taxes.

Note 9 *Long-term debt:*

Under an agreement dated May 1, 1971 bank financing was arranged for Gibraltar Mines Ltd. (N.P.L.) to a maximum of $74,000,000 being the estimated cost of a 30,000-ton-per-day concentrator and related facilities. The interest rate is 1¼% per annum over the minimum lending rate on Canadian dollar borrowings and 1% per annum above the Eurodollar rate on U.S. dollar borrowings. The financing is secured by first mortgage bonds on all existing property and equipment of Gibraltar (including acquisitions during the life of the mortgage bonds).

The bank loans are repayable by Gibraltar in regular quarterly instalments of $2,500,000 commencing on the last day of the third month following commencement of commercial production. An additional payment by Gibraltar to bring total principal repayments equal to 75% of "net cash flow" (net earnings plus all non-cash charges deducted in arriving at net earnings) for the preceding fiscal year shall be paid on or before

March 31, 1973 and each March 31 thereafter until the bank loans have been fully repaid.

	(in thousands)
Amount of bank loan drawn down to date	$49,650
Amount owing under an agreement to purchase mineral claims bearing interest at 6% and payable as to principal in three equal annual instalments	573
	50,223
Portion due within one year	5,190
	$45,033

Note 10 *Stock option plan:*

Under the employee stock option plan, the following transactions took place during the current year:

	Exchangeable Common Shares	*Common Shares*	*Total*
Options outstanding at December 31, 1970	51,050	460	51,510
Options granted	18,000	—	18,000
	69,050	460	69,510
Deduct —			
Options cancelled	1,350	—	1,350
Options outstanding at December 31, 1971	67,700	460	68,160

Options have a ten year term and are exercisable as to 20% one year from the date of option and as to 20% in each of the four succeeding years at prices ranging from $13.00 to $37.82 per share. The option price is set at 110% of the market value of the stock at the date the option is granted. At December 31, 1971 4,950 shares were reserved for the granting of future options, compared to 21,600 shares at December 31, 1970.

Note 11 *Pension plans:*

The Company and its subsidiaries have seven employee contributory pension plans at December 31, 1971. The plans are funded, and Company contributions are determined by periodic actuarial computations. The unfunded past service costs as at December 31, 1971 amounted to $284,000 which are being paid over a period of years as recommended by the actuary. The cost of all pension plans for the year ended December 31, 1971 amounted to $227,000.

Note 12 *Remuneration of directors and senior officers:*

Aggregate direct remuneration paid during the year ended December 31, 1971 by the Company and its subsidiaries to directors and senior officers of the Company amounted to $490,000.

10-Year Summary of Operating Results*
(in thousands)

	1971	1970
Net operating income	$ 9,192	$16,084
Investment income	7,223	9,933
	16,415	26,017
Depreciation and depletion	3,845	3,975
Preproduction and development expenses	578	—
Exploration expenses	5,110	7,298
Taxes on income	2,850	7,088
	12,383	18,361
Net Earnings	$ 4,032	$ 7,656
Per Share	$ 0.67	$ 1.28
Shares Outstanding (net)	5,979,955	5,979,955

*Restated for comparative purposes

Directors

James C. Dudley, New York, U.S.A.,
Private Financial Consultant

Albert E. Gazzard, Vancouver, Canada,
Company Director

J. Douglas Little, Vancouver, Canada,
Executive Vice-President

*Thomas H. McClelland, Vancouver, Canada,
President and Chief Executive Officer

*Alfred Powis, Toronto, Canada,
President and Chief Executive Officer, Noranda Mines Limited

J. Ernest Richardson, Vancouver, Canada,
Chairman, President and Chief Executive Officer, B.C. Telephone Company

Robert G. Rogers, Vancouver, Canada,
President and Chief Executive Officer, Crown Zellerbach Canada Ltd.

William S. Row, Toronto, Canada,
Executive Vice-President, Noranda Mines Limited

*John D. Simpson, Vancouver, Canada,
Chairman of the Board

Vernon F. Taylor, Jr., Denver, U.S.A.,
President, Westhoma Oil Company

*H. Richard Whittall, Vancouver, Canada,
Partner, Richardson Securities of Canada

*Member of the Executive Committee

Officers

John D. Simpson,
Chairman of the Board

Thomas H. McClelland,
President and Chief Executive Officer

J. Douglas Little,
Executive Vice-President

Ross G. Duthie,
Vice-President, Project Developments

E. Jack Eldridge,
Vice-President, Australasian Operations

James L. McPherson,
Vice-President, Finance and Administration

Charles L. Pillar,
Vice-President, Operations

Edgar A. Scholz,
Vice-President, Exploration

John M. McConville,
Secretary

Robert A. Watts,
Treasurer

John Racich,
Comptroller

Allan R. Edwards,
Sydney Secretary

			8 Months to December 31	Year ended April 30			
1969	1968	1967	1966	1966	1965	1964	1963
$19,583	$13,632	$14,447	$10,607	$11,139	$ 6,165	$ 6,293	$ 5,854
8,488	6,538	9,143	2,078	1,303	3,143	2,783	1,155
28,071	20,170	23,590	12,685	12,442	9,308	9,076	7,009
3,582	3,579	3,405	1,974	2,270	2,145	2,236	2,145
—	696	1,194	795	897	—	—	—
7,243	5,348	5,131	2,285	2,255	1,101	936	803
5,332	434	543	73	168	1,218	1,229	1,142
16,157	10,057	10,273	5,127	5,590	4,464	4,401	4,090
$11,914	$10,113	$13,317	$ 7,558	$ 6,852	$ 4,844	$ 4,675	$ 2,919
$ 2.01	$ 1.70	$ 2.24	$ 1.28	$ 1.19	$ 0.93	$ 0.89	$ 0.56
5,938,371	5,934,571	5,933,771	5,904,871	5,761,378	5,217,437	5,229,019	5,204,859

Offices:

Head Office:
700 Burrard Building, Vancouver, Canada

Sydney Office:
Gold Fields House, Sydney Cove, Australia

Auditors:

Price Waterhouse & Co., *Chartered Accountants*

Stock Exchange Listings:

Toronto Stock Exchange
Vancouver Stock Exchange
Montreal Stock Exchange
Sydney Stock Exchange
American Stock Exchange

Bankers:

Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
Bank of New South Wales
Brown Brothers Harriman & Co.
Bank of America
First National City Bank
Bankers Trust Company
The Chase Manhattan Bank

Placer Development Limited

Transfer Agents and Registrars:

National Trust Company, Limited
Vancouver and Calgary, Canada

Canada Permanent Trust Company,
Toronto and Montreal, Canada

Central Share Registry of Australia Pty. Limited,
Sydney, Australia

Registrar and Transfer Company,
Jersey City, N.J., U.S.A.

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